

Emily Wimberger
Chief Economist
California Air Resources Board
1001 I Street
Sacramento, CA 95814

September 11, 2017

Dear Ms. Wimberger:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and the summary (Form DF-131) for the proposed regulation Amendments to the Heavy-Duty Vehicle Inspection Program and Periodic Smoke Inspection Program, as required in California Code of Regulations, title 1, section 2002(a)(1). As proposed regulatory amendments were not submitted with the SRIA, these comments are solely based on the SRIA.

The proposed regulations tighten emissions limits for heavy-duty diesel fleets of two or more vehicles and require new tester training and phased-in inspection reporting. These changes are expected to increase vehicle repairs of particulate matter emission control systems with a benefit of reducing emissions by 74,500 to 396,000 pounds per year, or an overall reduction of around 13 percent over 2018 to 2025. Direct average repair cost ranges from \$2,700 to \$7,000 per vehicle, when it falls out of compliance. Given the expected number of repairs needed over this period, the total cost of repairs, reporting, and testing is estimated to be around \$15 million in a typical year, but with a spike of over \$100 million in 2019. Costs to local and state governments are estimated to average \$2.7 million and \$1.5 million per year, respectively. The reduction of particulate emissions will benefit public health, with an estimated average value of \$90 million per year from 2018 to 2025.

We generally concur with the methodology used to estimate the economic and fiscal impacts under proposed regulatory changes and alternatives, and note in particular the estimates with respect to public health benefits. However, there are three changes that need to be addressed to comply with requirements of a SRIA.

First, the SRIA must discuss the differential impacts to businesses based upon fleet size. In particular, Table 28 summarizes total costs only for an average fleet size of 50 vehicles. SRIAs require identification of differential impacts to individuals, groups, or businesses where the information exists, and given that ARB has compliance records, these differences must be disclosed. In addition, the SRIA needs to discuss the potential for differential impacts and competitive disadvantage, if any, associated with the combination of improved enforcement capability and lower emissions requirements. For example, businesses that are non-compliant but are not caught have a competitive advantage over those that are compliant. The increased

enforcement and new reporting requirements should now lessen the competitive disadvantage for compliant businesses.

Second, lowering emissions limits and increasing future heavy-duty vehicle compliance rates can affect emissions of pollutants other than particulate matter. Changes in the frequency of certain types of repairs can lead to small increases in other pollutants such as oxides of nitrogen and carbon dioxide. Although quantification of changes in other pollutants is difficult to accomplish given uncertainties with vehicle owner repair choices and usage of vehicles, the SRIA needs to discuss these other potential changes.

Third, the SRIA does not describe an overall price effect of these regulations on transportation services. Production cost inputs for macroeconomic modeling are described, but no analysis of price effects or assumptions about cost pass-through to consumers is provided. While the price effect on transportation services may be relatively small, the SRIA should contain a discussion of this expected regulatory impact.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,



Irena Asmundson
Chief Economist

cc: Ms. Panorea Avdis, Director, Governor's Office of Business and Economic Development
Ms. Debra Cornez, Director, Office of Administrative Law
Mr. Richard Corey, Executive Officer, California Air Resources Board
Ms. Jessica Charrier, Manager, California Air Resources Board